

## CHAPTER III STATE EXCISE DUTIES

### 3.1 Results of Audit

Test check of the records of State Excise offices conducted during the year 2004-05, revealed non levy of duty, fees etc., and other losses of revenue amounting to Rs.4.32 crore in 64 cases which broadly fall under the following categories.

(Rupees in crore)			
Sl. No.	Nature of irregularity	No. of cases	Amount
1	Short levy of annual licence fee/excise duty	20	2.43
2	Non/short levy of penal interest on belated payment of licence fee/toddy rentals and late fee as belated submission of bank guarantees	19	0.18
3	Potential loss of revenue due to discontinuance of notifications of non renewed IL-24 shops	9	1.26
4	Short collection of tree tax	8	0.09
5	Loss of revenue due to delay in seizure of confiscated vehicles	2	0.04
6	Other irregularities	6	0.32
<b>TOTAL</b>		<b>64</b>	<b>4.32</b>

During the year 2004-05, the Department accepted under assessments etc., of Rs.246.72 lakh in 30 cases of which 15 cases involving Rs.85.24 lakh were pointed out during the year 2004-05 and the rest in earlier years. Out of this, an amount of Rs.165.11 lakh in 27 cases was realised during the year.

A few illustrative cases involving Rs.55.98 lakh are mentioned in the following paragraphs.

### 3.2 Short levy of licence fee

Under Andhra Pradesh Indian Liquor and Foreign Liquor (APILFL) Rules, 1970, licence fee for sale of all kinds of liquor and beer and licence fee for bars/permit rooms shall be fixed with reference to the population of the village/town/city. In respect of retail shops/bars situated within five kms., from periphery of municipal corporations, licence fee shall be at the rates applicable to those located within the jurisdiction of the municipal corporations. Commissioner of Prohibition and Excise issued instructions in March 2002 to adopt latest census figures of 2001 wherever they are available and to obtain an undertaking from the licensees for payment of differential licence fee as and when census figures are published in respect of rural areas.

During the course of audit of five<sup>Ψ</sup> offices of Prohibition and Excise Superintendents (PESs), it was noticed between June and December 2004 that annual licence fee in respect of 12 retail outlets/alongwith permit rooms for 2002-03 and 2003-04 was not revised based on the published census figures of 2001 resulting in short levy of licence fee by Rs.35.75 lakh.

PES Ananthapur accepted the audit observation in six cases and raised a demand of Rs.6 lakh against a licensee; however, the amount could not be recovered as licensees have filed an appeal in Andhra Pradesh High Court against the demand order. In remaining cases PESs replied that action would be taken to issue demand notices for recovery of differential amounts.

The above matter was referred to the Department between October 2004 and April 2005 and Government in May 2005, response was not received (September 2005).

### 3.3 Short collection of tree tax

According to Andhra Pradesh Excise (Tapping of Trees and Toddy shops - Special Conditions of License) Rules, 1969 and toddy policy guidelines issued from time to time, tree tax is to be levied and collected on actual consumption (utilisation) of trees subject to a minimum of 75 per cent of the number of trees allotted.

During the course of audit of five\* offices of PESs, it was noticed between June and October 2004 that tree tax for the year 2003-2004 was not levied and collected at the minimum of 75 per cent of trees allotted. Against Rs.14.29 lakh to be levied and collected, only Rs.5.73 lakh was levied and collected resulting in short levy and collection of tree tax by Rs.8.56 lakh.

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<sup>Ψ</sup> Ananthapur, Kakinada, Karimnagar, Mahaboobnagar and Srikakulam

\* Ananthapur, Hyderabad (urban), Karimnagar, Nizamabad and Warangal

After this was pointed out, three<sup>♦</sup> PESs stated between June and August 2005 that an amount of Rs.2.87 lakh was collected. Other PESs stated between June and October 2004 that action would be taken to realise the short collection of tree tax.

The above matter was referred to the Department between November 2004 and February 2005 and Government in May 2005, response was not received (September 2005).

### 3.4 Non levy of interest

According to Andhra Pradesh Excise Act, 1968, read with AP Excise (levy of interest of Government dues) Rules, 1982, dues recoverable under the Act shall bear interest at the rates prescribed from time to time. As per APILFL Rules belated submission of application for renewals of licence attracts late fee of Rs.100 for each day of delay.

During the course of audit of the eight<sup>ψ</sup> offices of PESs between June 2004 and March 2005 it was noticed that interest on delayed payments of excise revenue and late fee for belated submission of renewal applications was not levied and collected during 2002-03 and 2003-04. This resulted in non levy and collection of interest/late fee of Rs 11.67 lakh.

After this was pointed out in audit, four<sup>φ</sup> PESs replied between March and July 2005 that an amount of Rs 4.30 lakh was collected. PES Ananthapur replied in June 2004 that action would be taken to adjust the amounts from remissions granted. PES Ranga Reddy replied in November 2004 that dues were collected under one time settlement and interest was not collected. The reply is not tenable as the arrears related to current period of 2003-04 which was not covered by one time settlement orders. PES Nalgonda replied in January 2004 that the amount would be collected by invoking RR Act. PES Nizamabad replied that interest/late fee would be collected.

The above matter was referred to the Department between April 2004 and April 2005 and Government in May 2005, response was not received (September 2005).

♦ Karimnagar, Nizamabad and Warangal

ψ Adilabad, Ananthapur, Kadapa, Karimnagar, Nalgonda, Nizamabad, Ranga Reddy and Visakhapatnam

φ Adilabad, Kadapa, Karimnagar and Visakhapatnam